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AS 1 - DISCLOSURE OF A/C POLICIES

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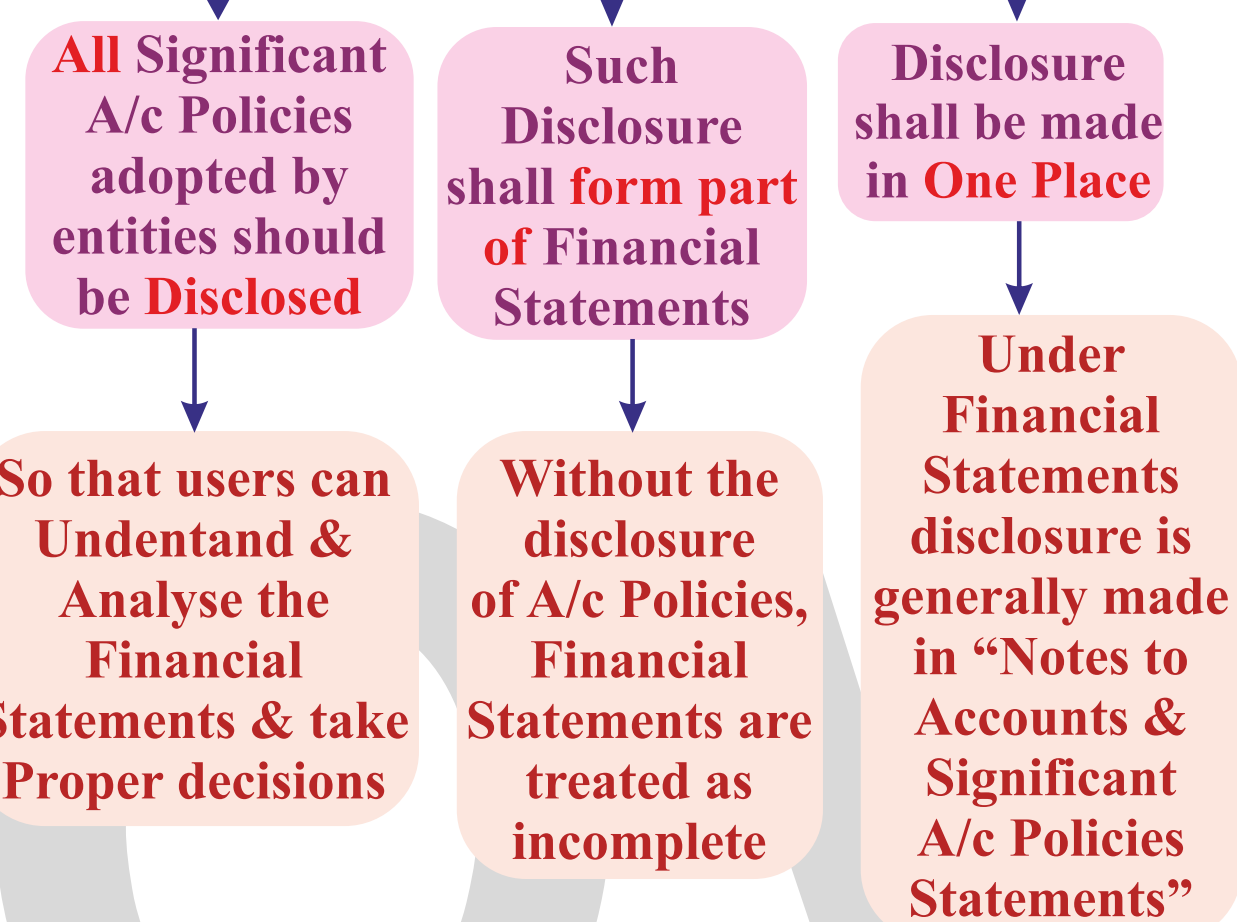
1 Meaning of Accounting Policy

- Specific Accounting Principles & the Methods of applying those Principles Adopted by enterprise in Preparation & Presentation of Financial Statements

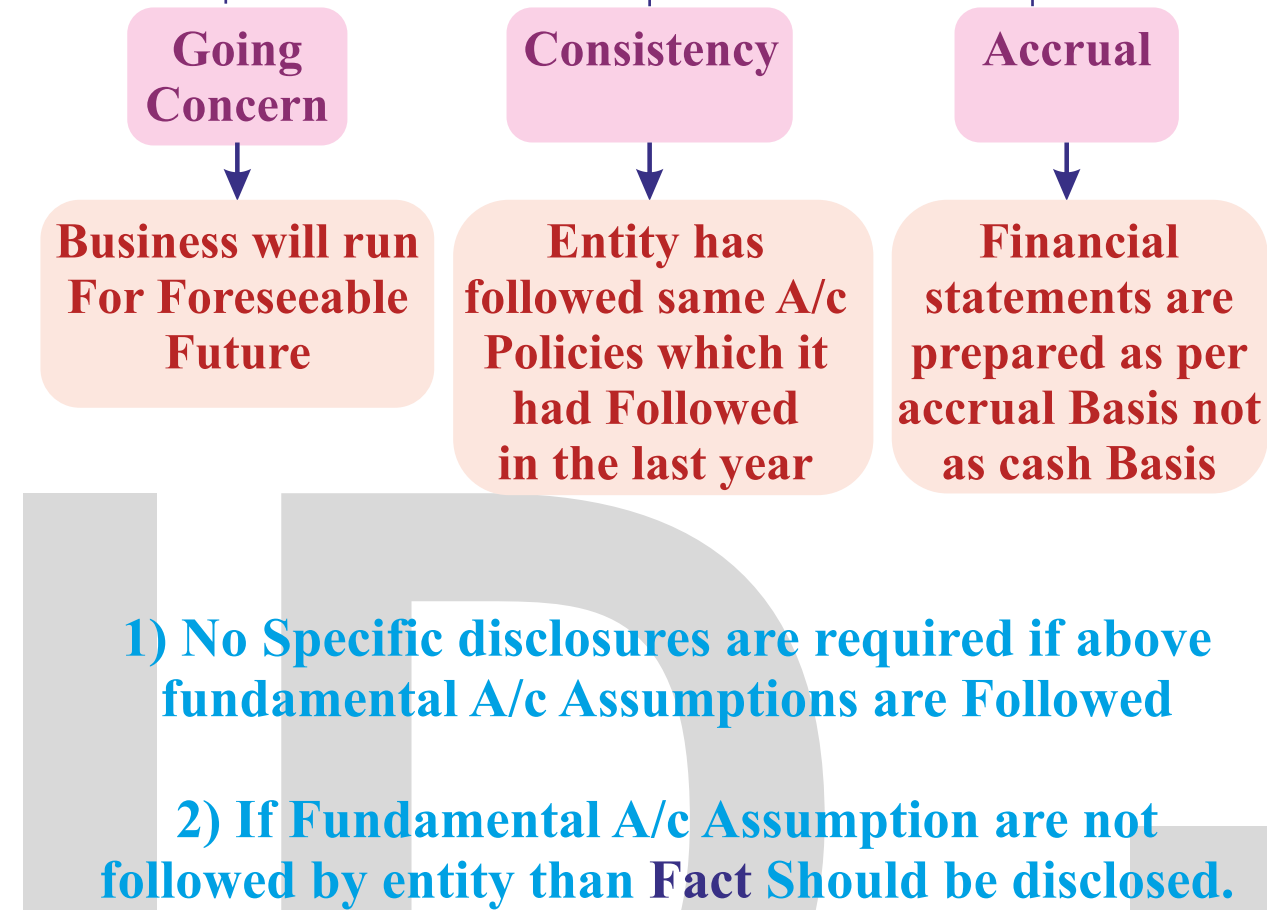
Examples :-

- Inventories Valuation Method - FIFO, Weighted Arg.
- Cash Flow Statement Presentation - Direct Method & Indirect Method
- Depreciation Method SLM or WOV etc.

2 Basic Requirement of AS - 1

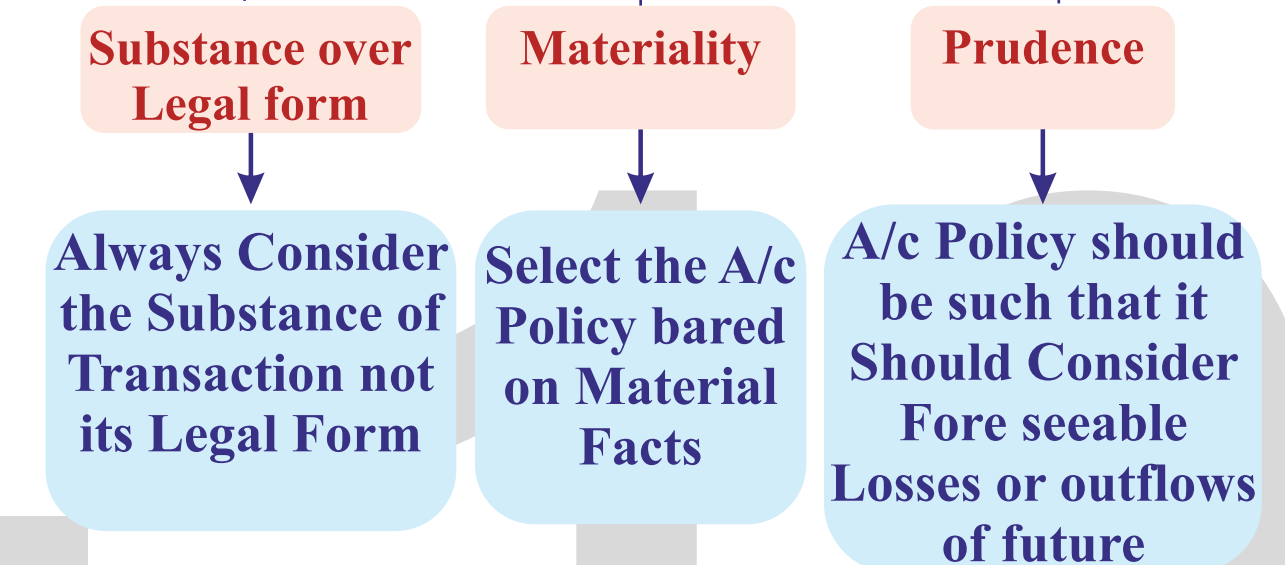


3 "Fundamental Accounting Assumptions"

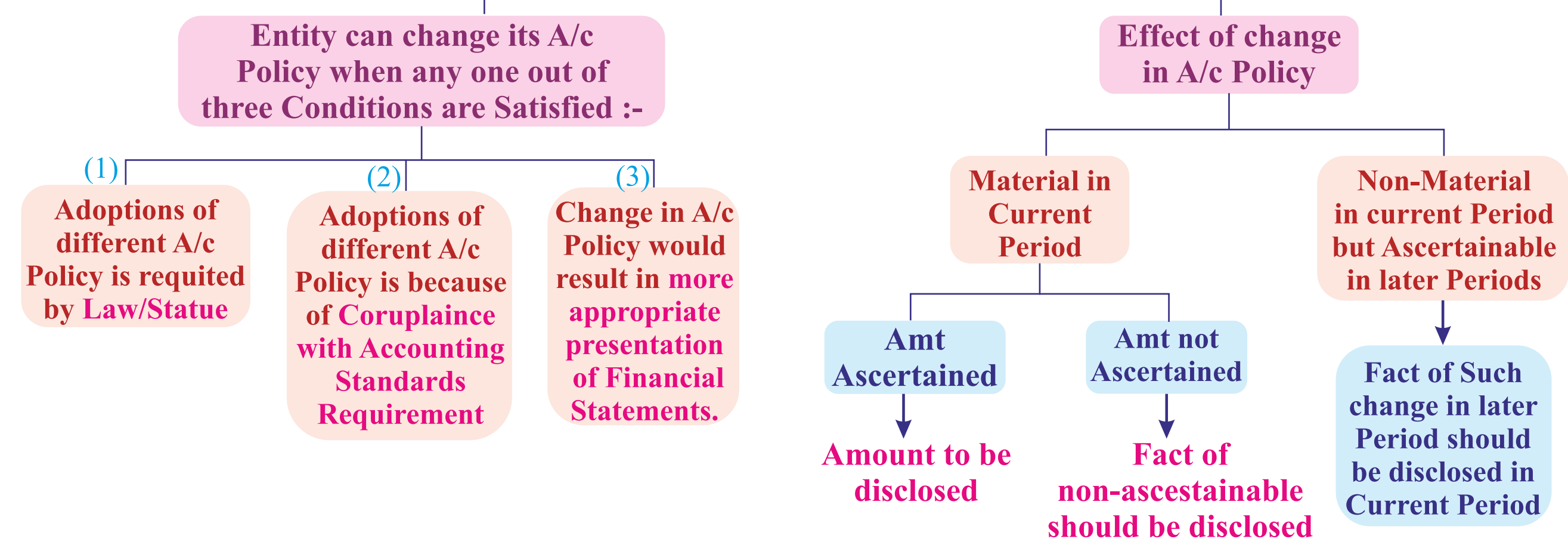


4 Selection of Accounting Policy

Consider Following 3 Principles to select any A/c Policy for any Transaction or event



5 Change in Accounting Policies

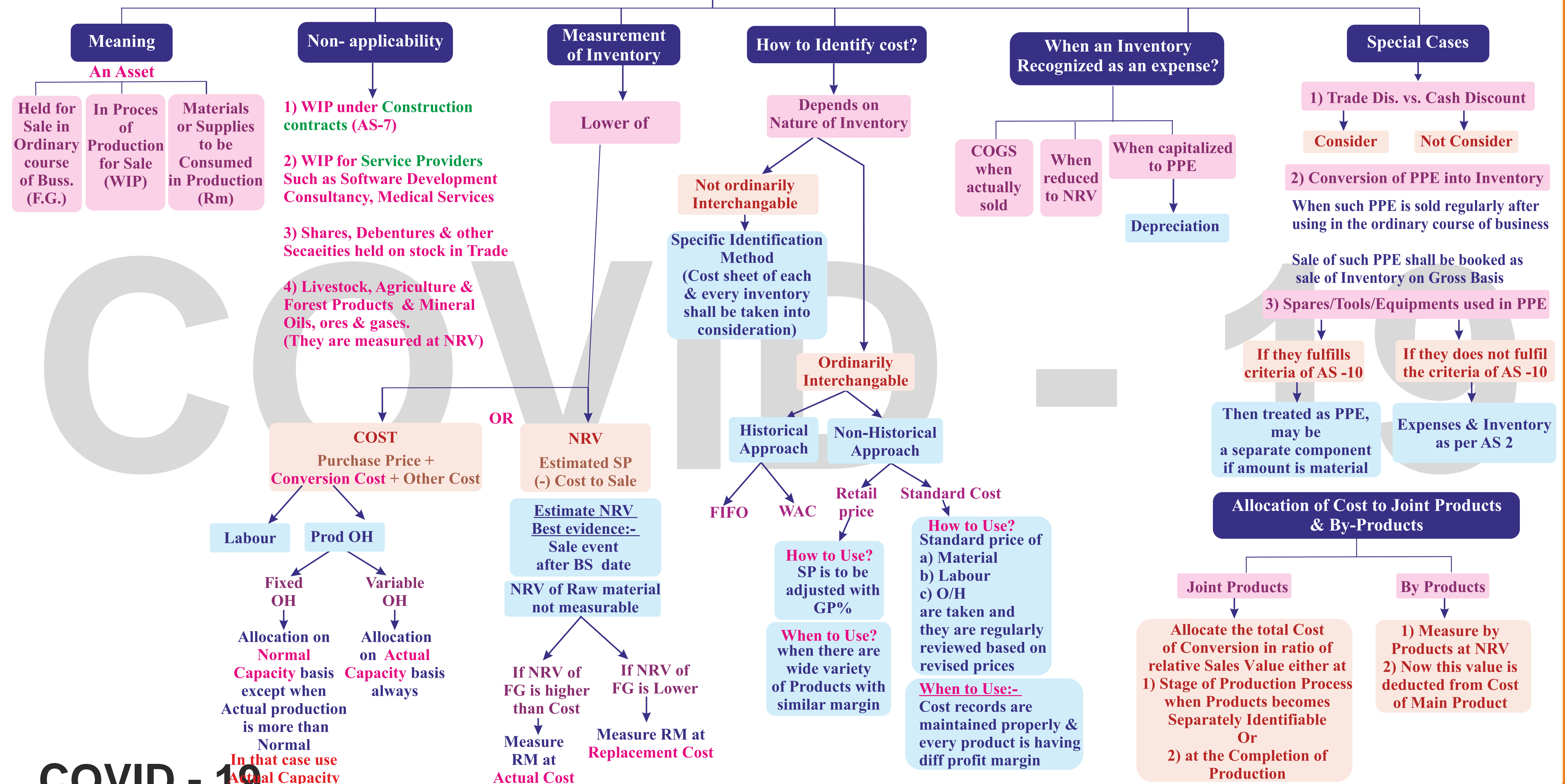


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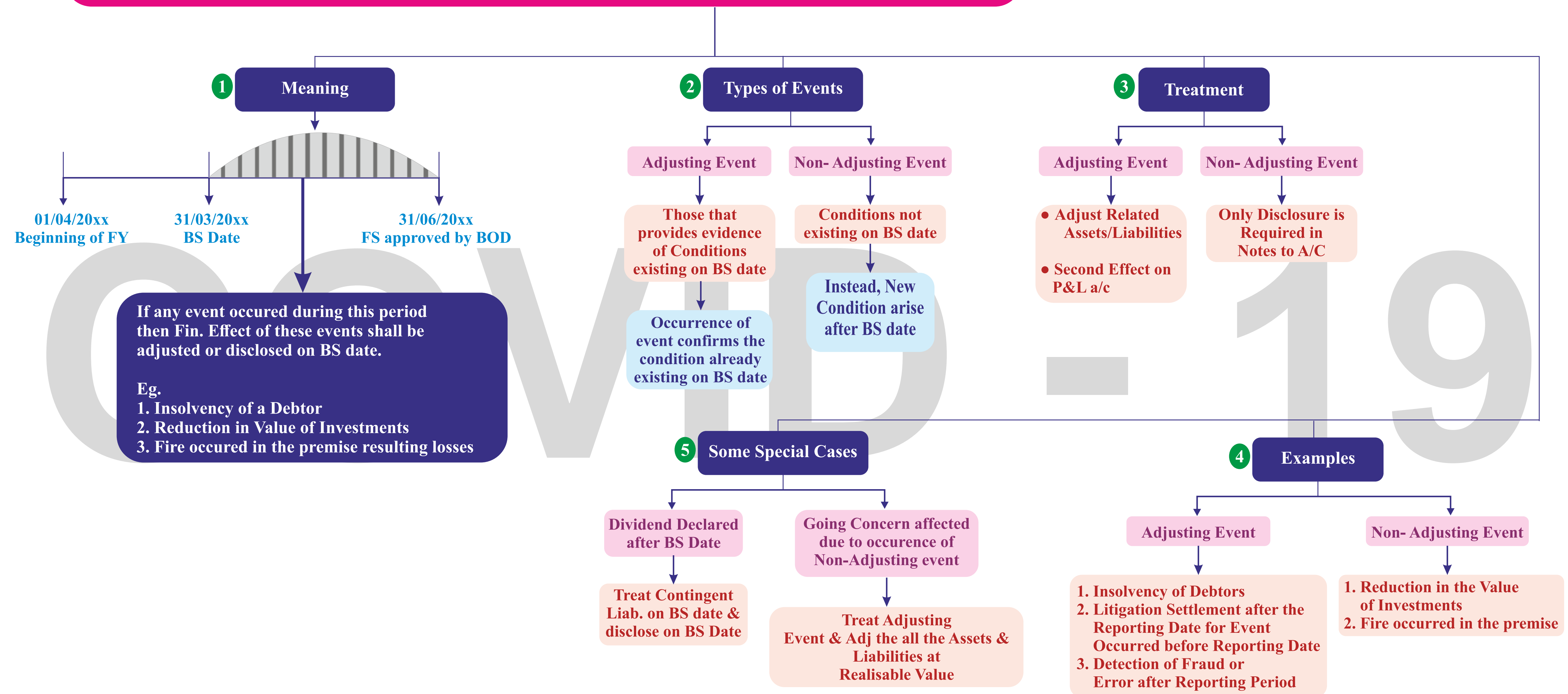
AS 2 - INVENTORIES

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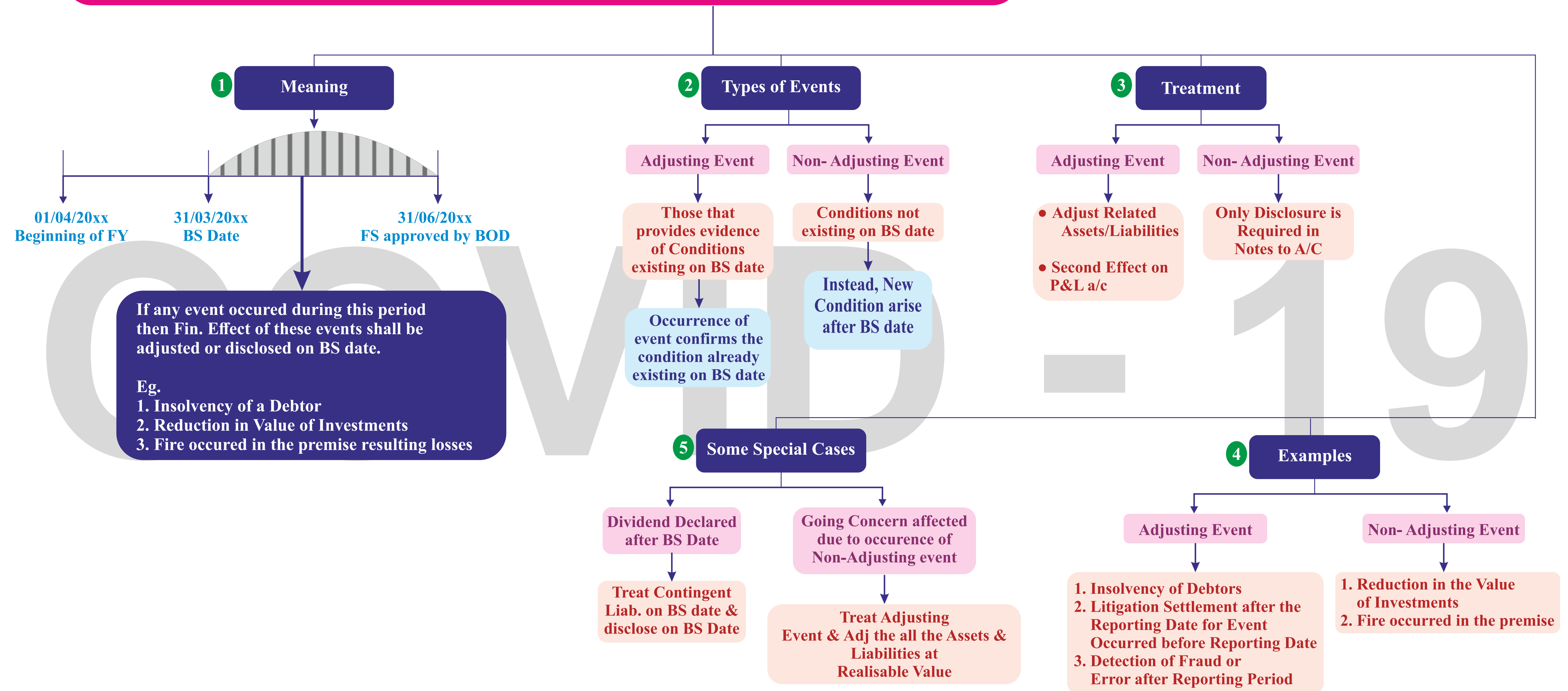


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AS 4 - Contingencies and Events occurring after the Balance Sheet date.



AS 4 - Contingencies and Events occurring after the Balance Sheet date.



AS-5 Net Profit or loss for the period, Prior period items & Changes in Accounting policies



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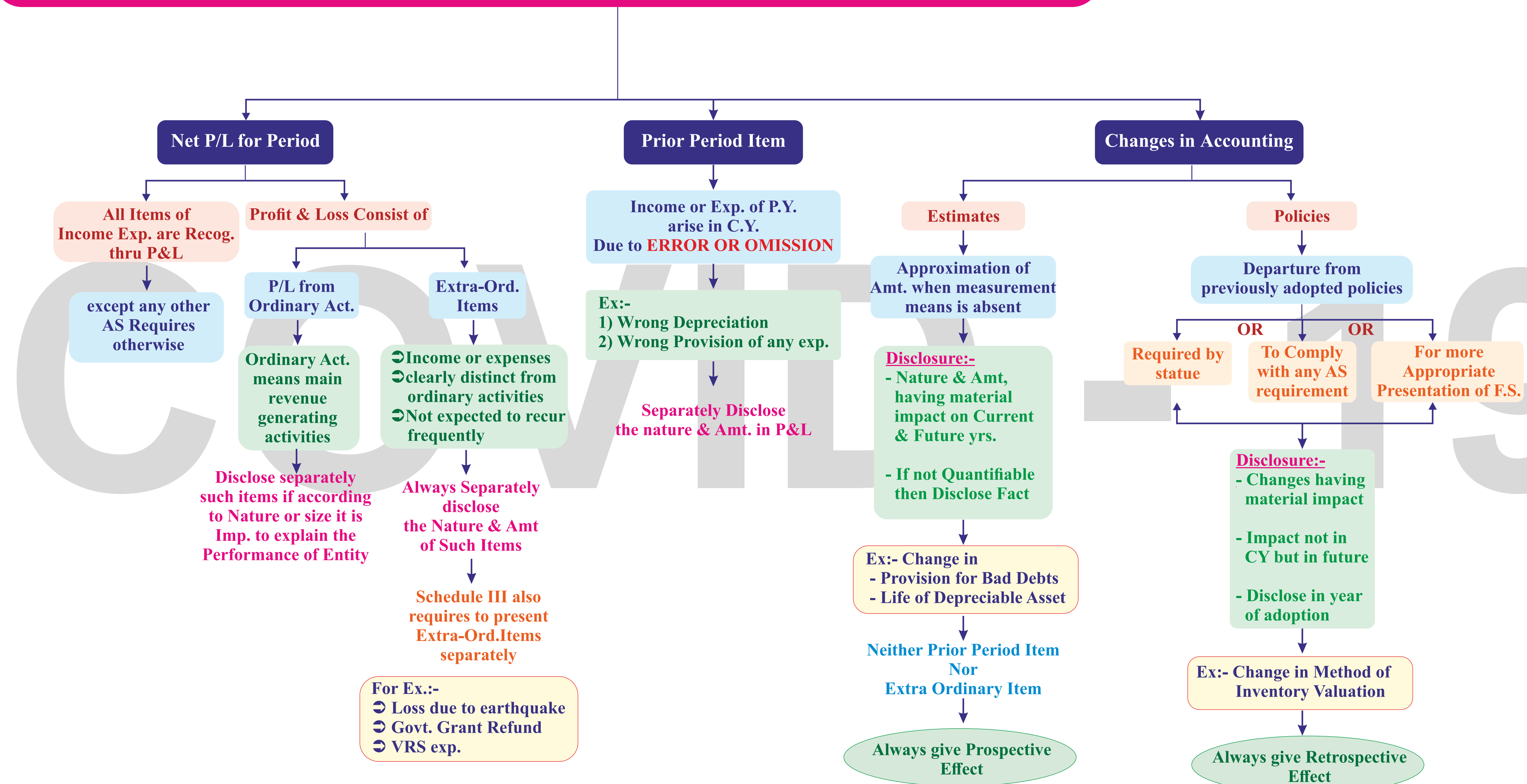
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AS 7 - CONSTRUCTION CONTRACTS

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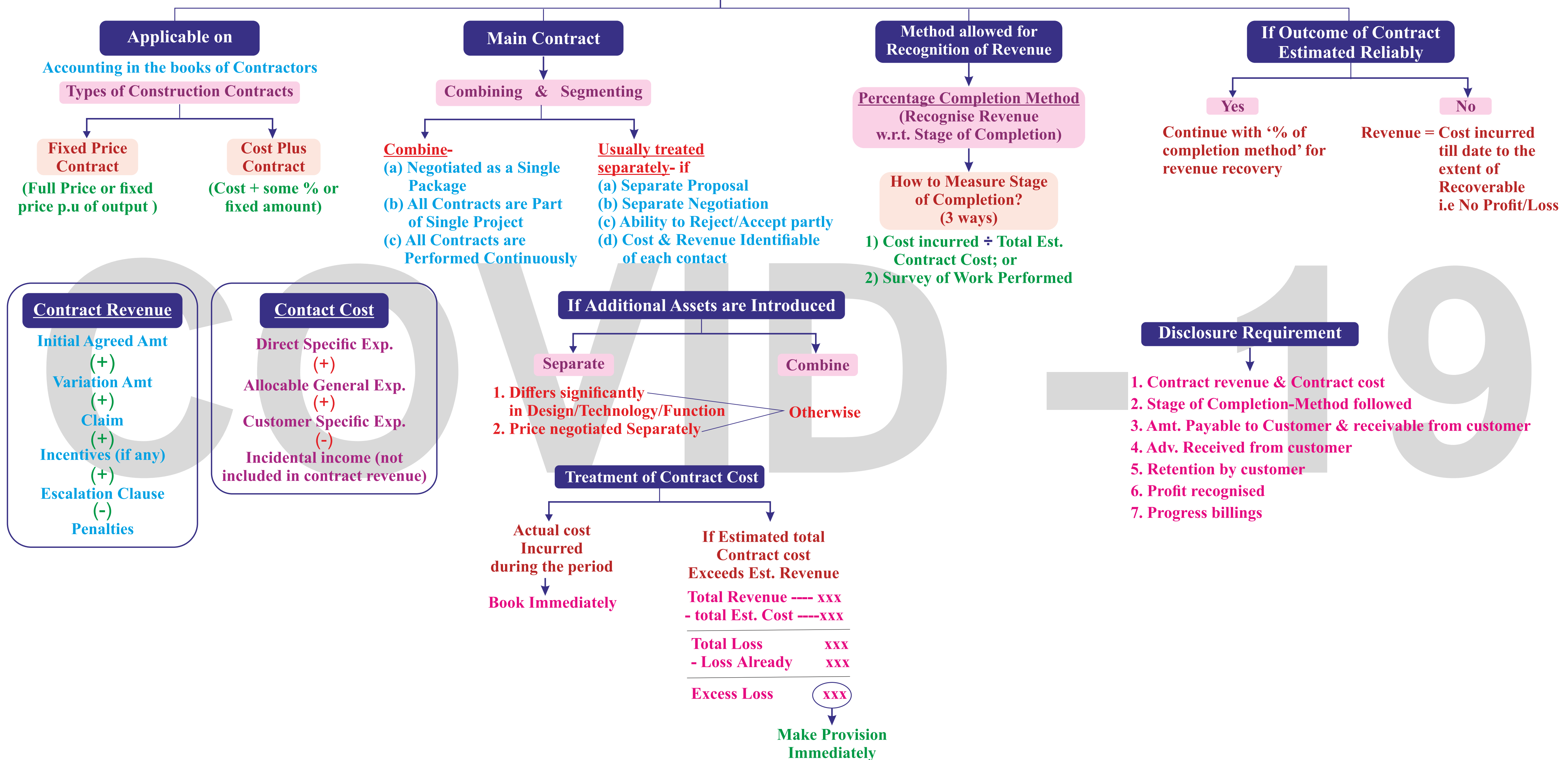
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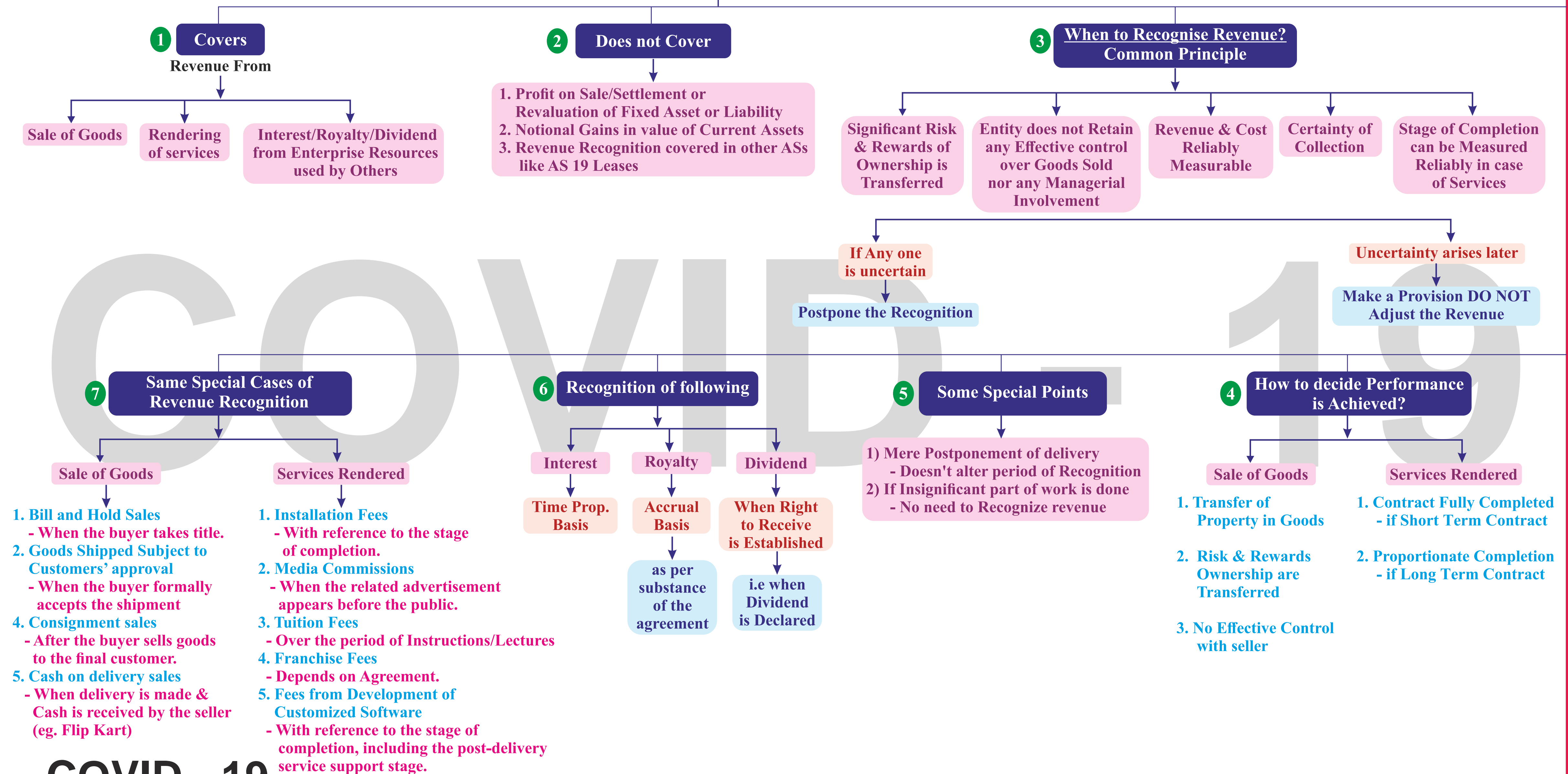


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AS 9 - REVENUE RECOGNITION

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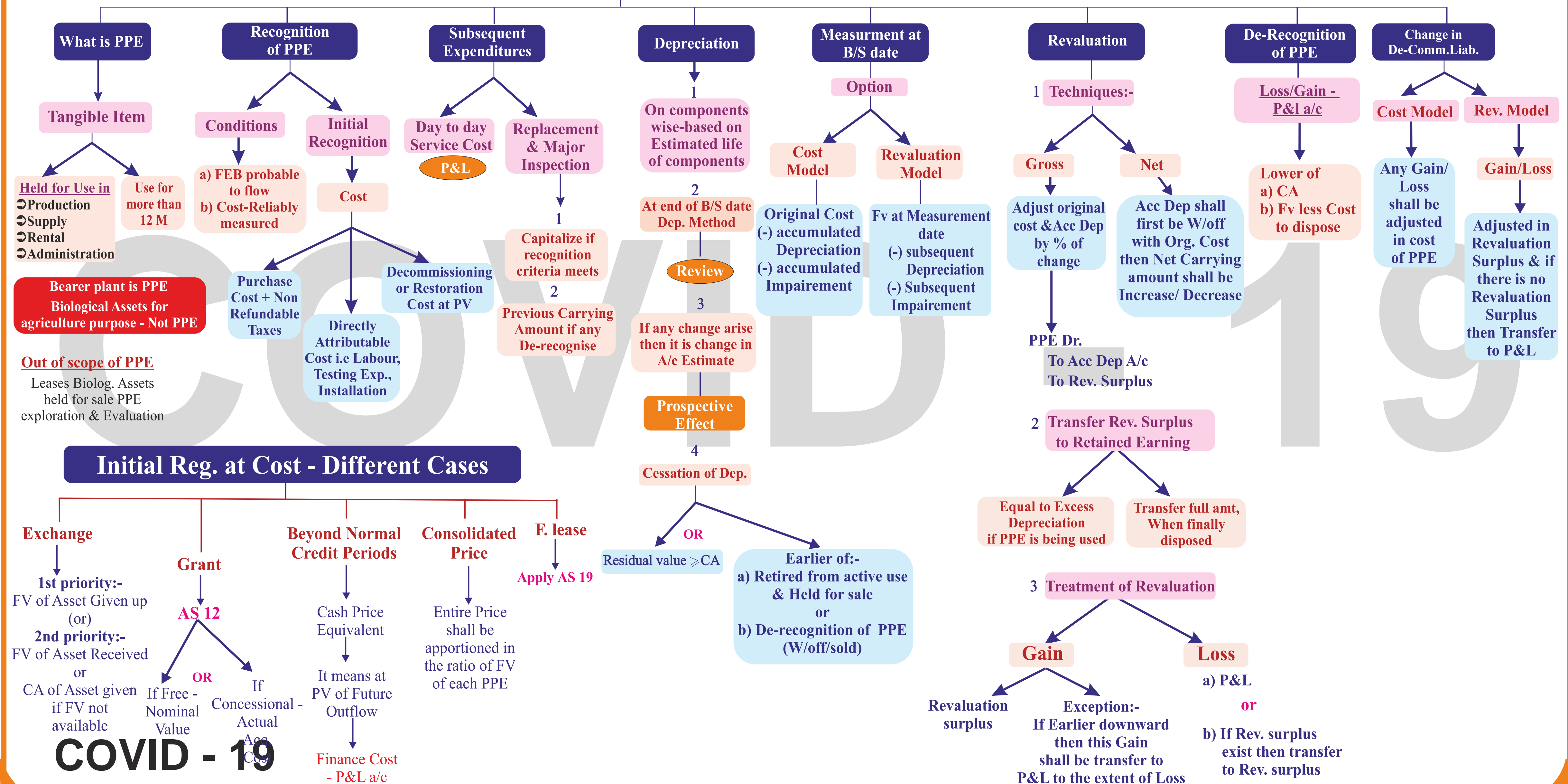


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AS 10 - PPE

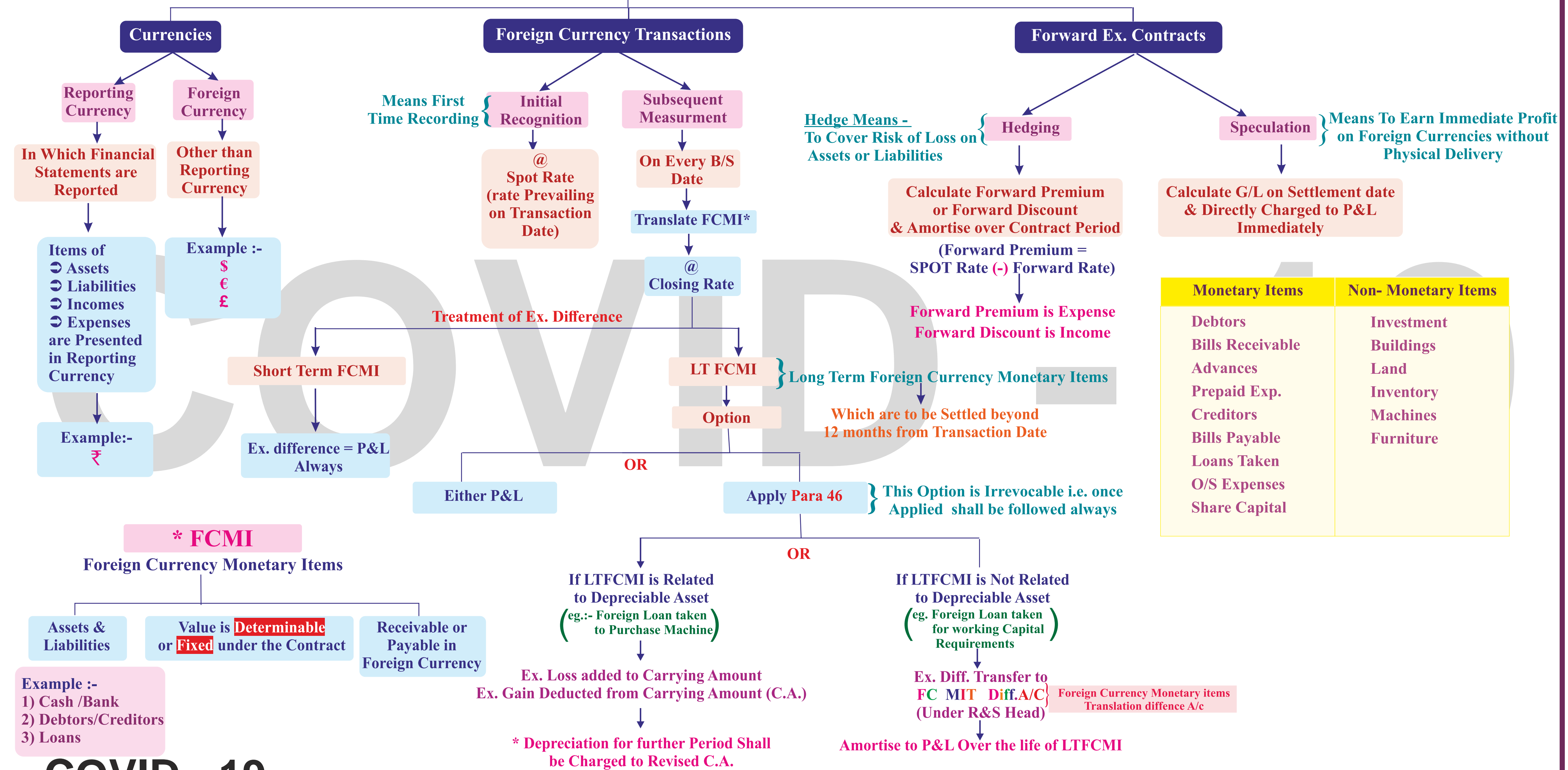
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AS 11 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES


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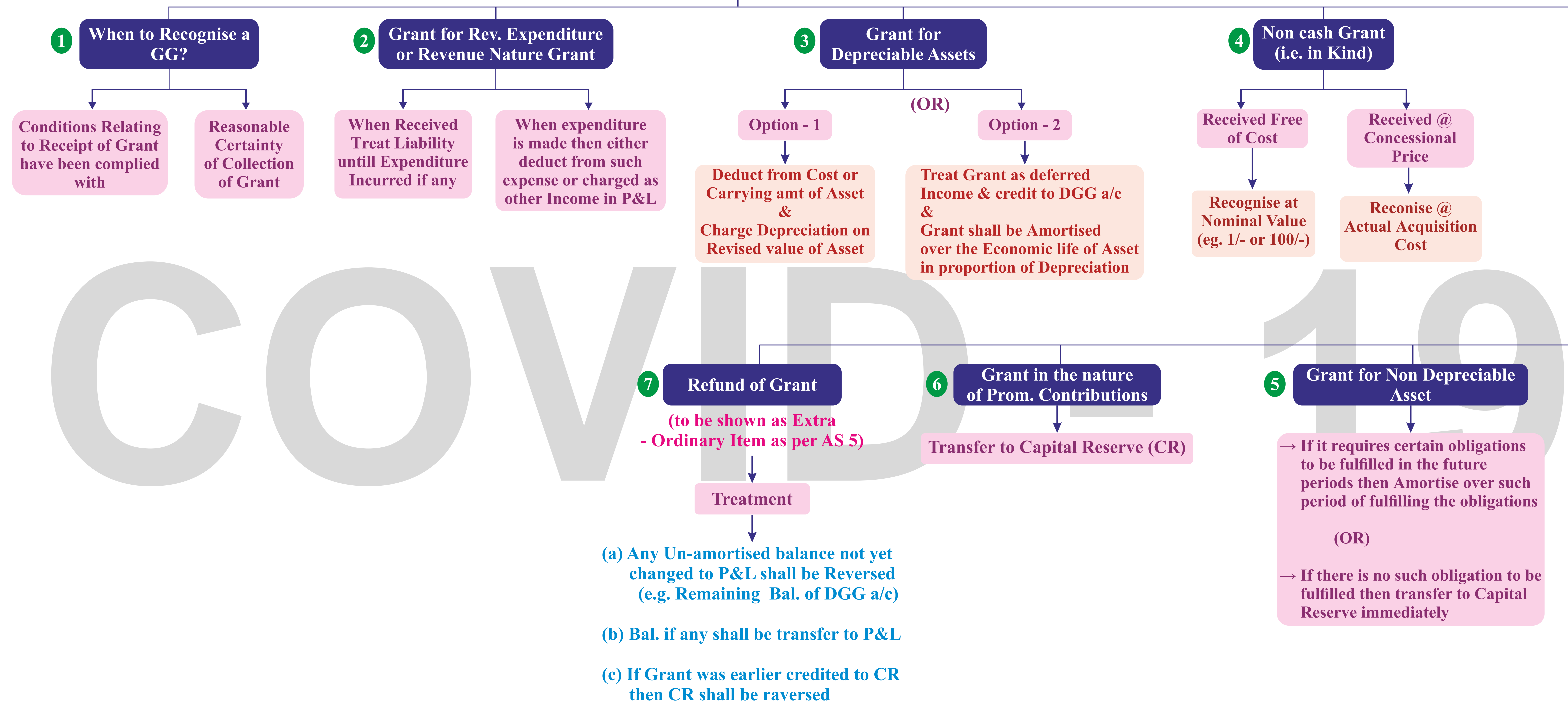


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AS 12 - GOVERNMENT GRANTS

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AS 13 - ACCOUNTING FOR INVESTMENT

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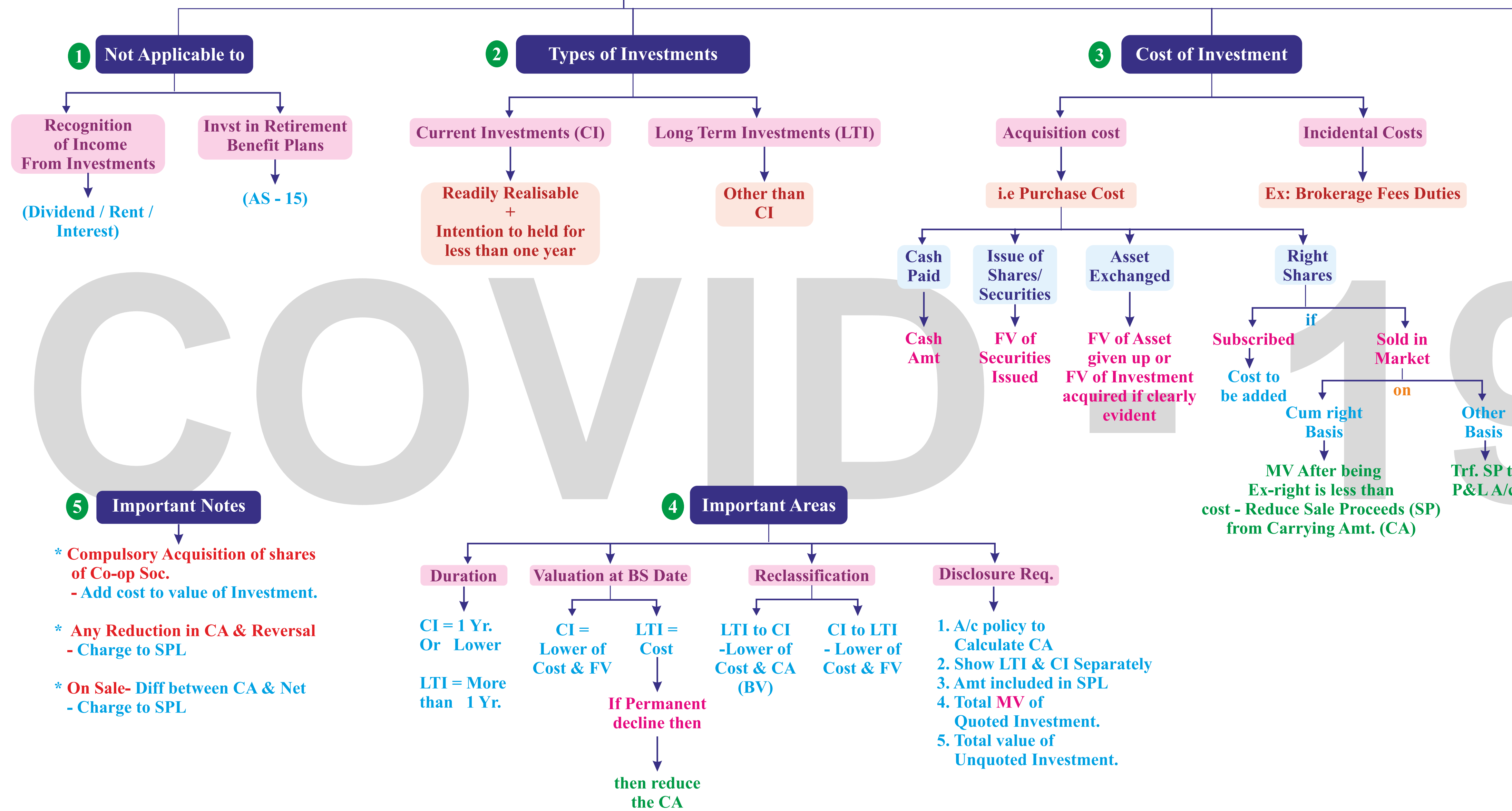
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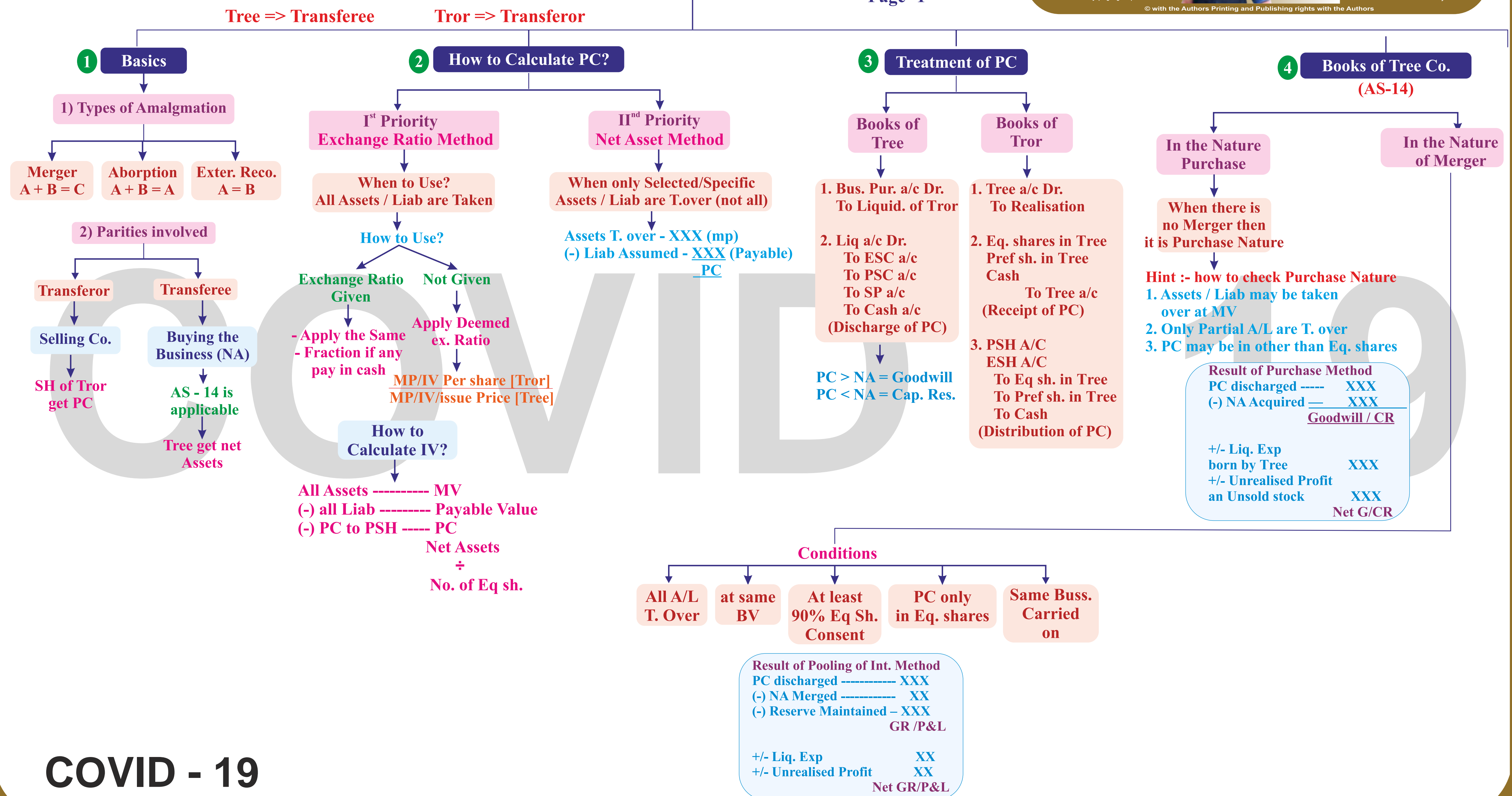
AS 14 - AMALGAMATION

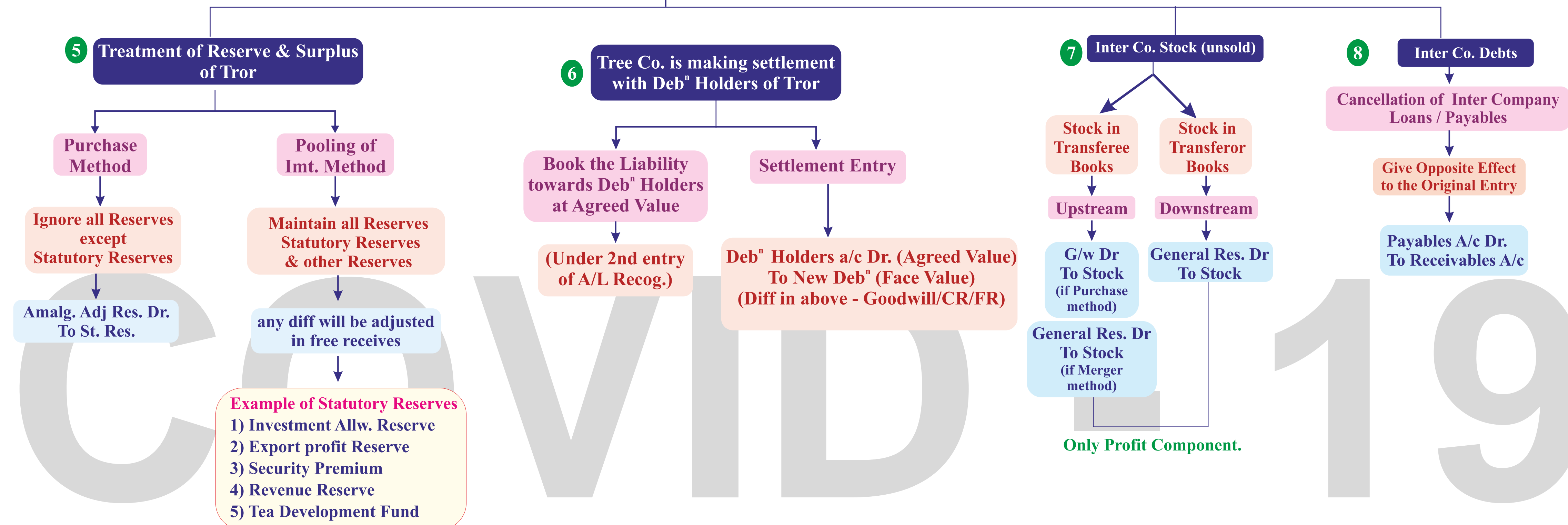
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AS 16 - BORROWING COST

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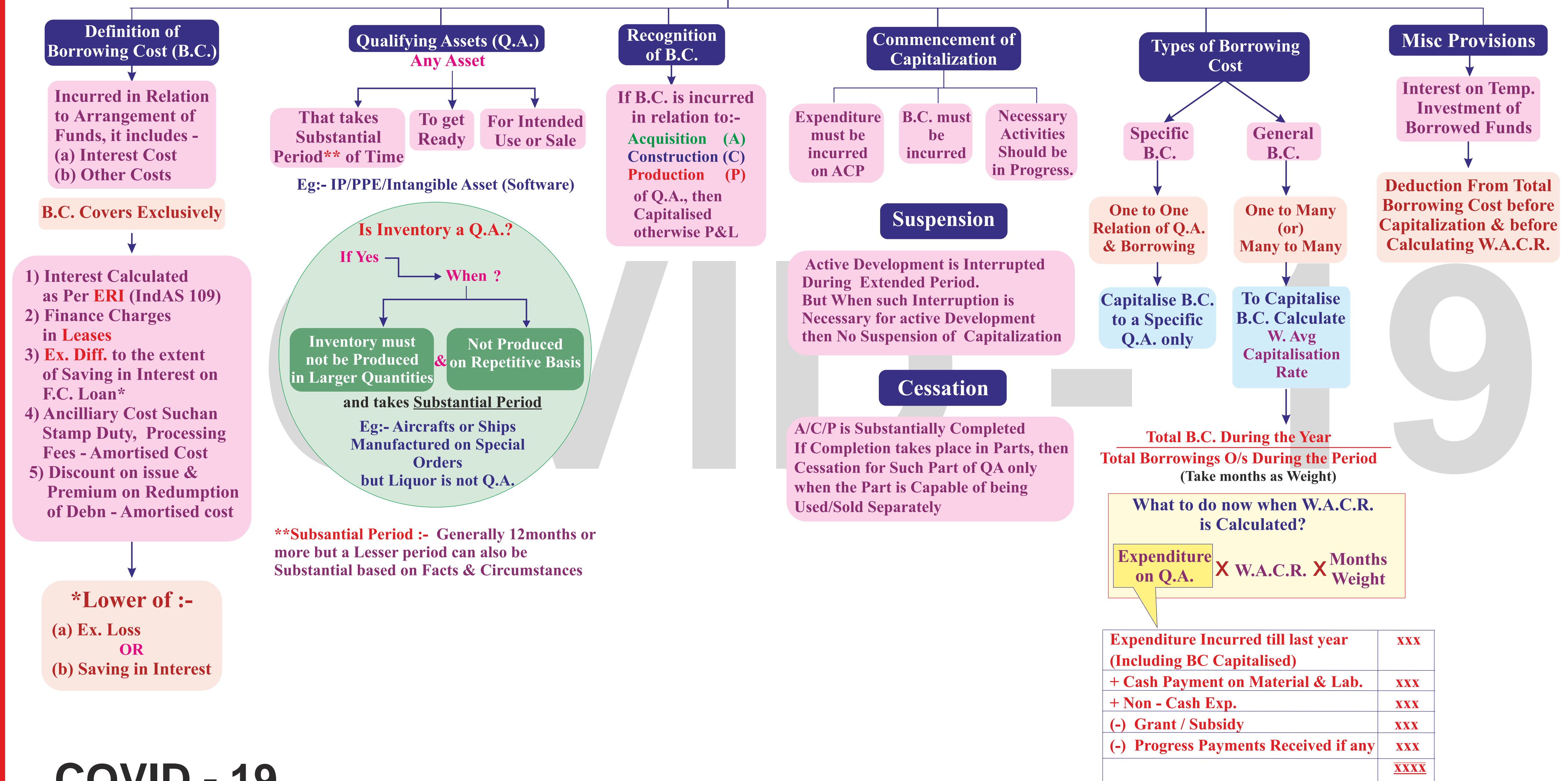
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AS 17 - SEGMENT REPORTING

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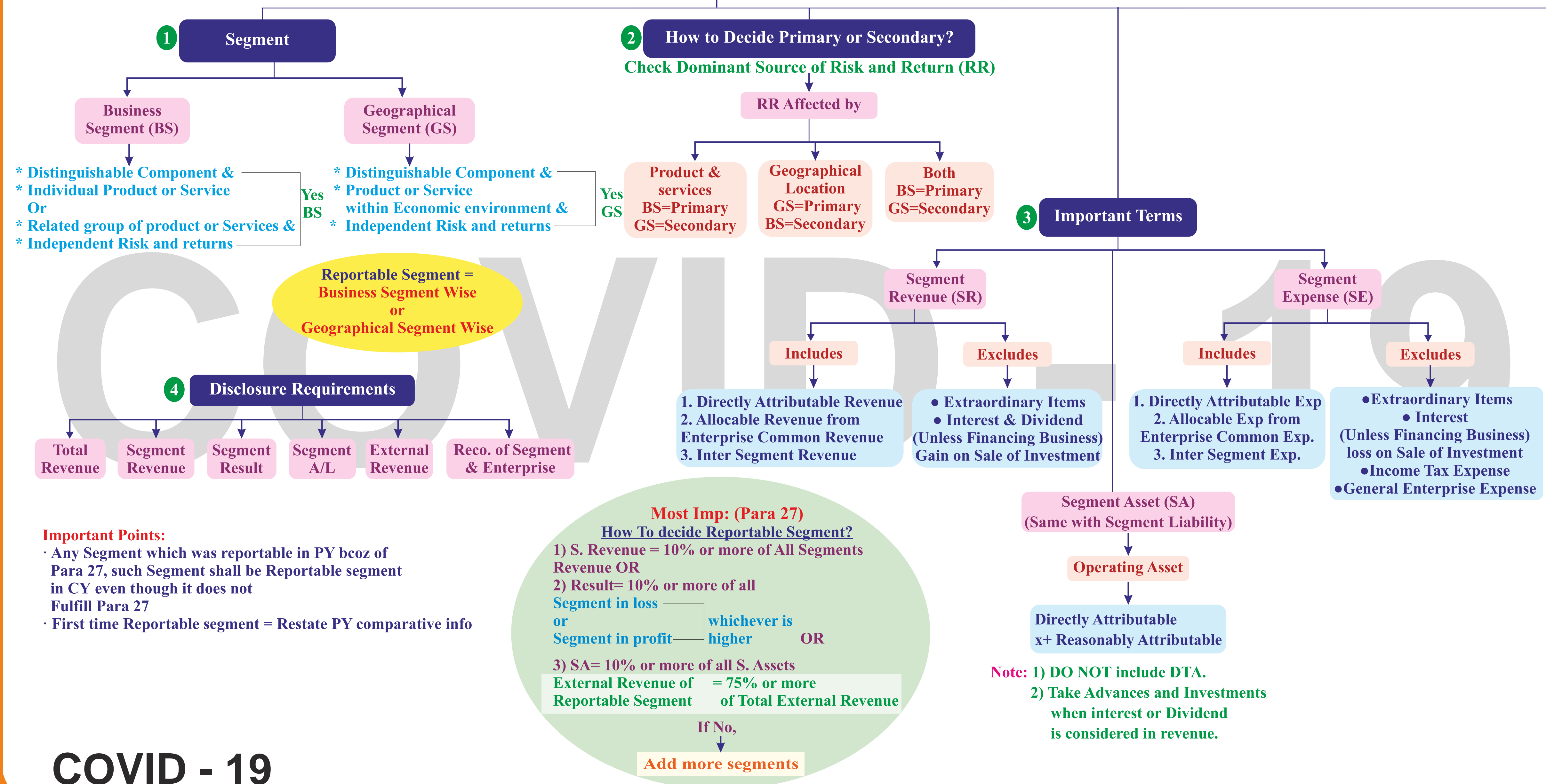
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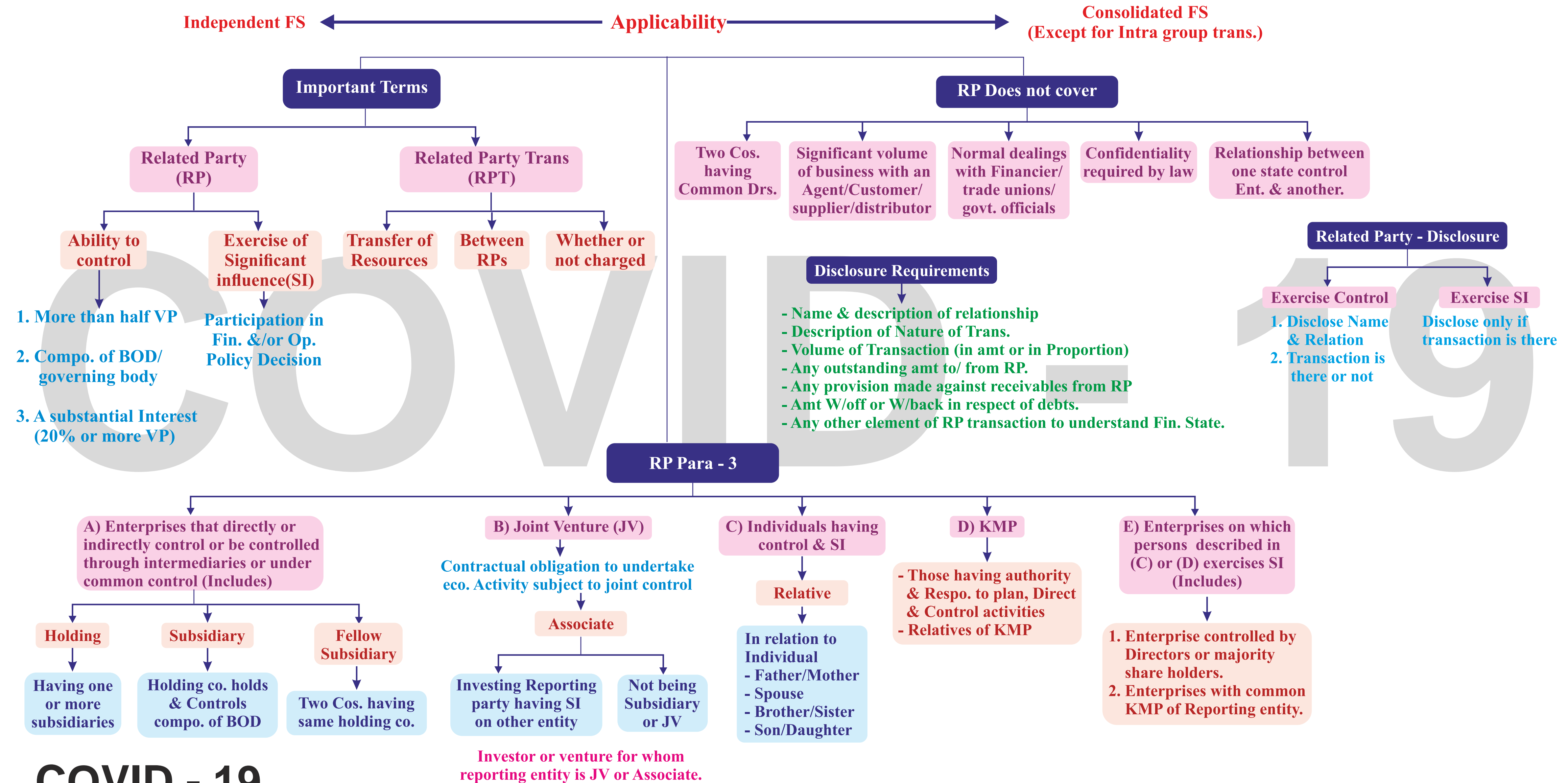
AS 18 - Related Party Disclosures

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AS 19 - ACCOUNTING FOR LEASES



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1 Common Terms

1. $MLP = \text{Total LR} + GRV + DP$
2. $GI = MLP + UGRV$
3. $\text{Unearned FI} = GI \text{ less PV of GI}$
4. Discount rate = Implicit Interest rate

2 Types

Finance Lease

Substantial Risk & Rewards Transfer by Lessor to Lessee

- Indicators - (any One)**
1. Trnf. of Ownership at end of L. Term
 2. Option to Purchase at Reduce Price
 3. Major Economic Life Covered under L. Term
 4. Specialised Asset for Lessee, can not be Used without Major Modification
 5. $PV \text{ of } MLP = \text{Initial FV}$

Lessee

1. Recognise Leased Asset & lease liability
2. Recognise at PV of MLP* or FV (whichever is lower)
3. Apportion Lease rent in

Finance Charge

Principle

5. Charge Depreciation
6. Initial Direct Cost- Add to Cost of Asset

Operating Lease

Lessee

1. Lease Payment Expense in SPL
2. On SLM basis

Lessor

1. Show as Fixed Asset
2. Income - SLM Basis
3. IDC - Same as FL
4. Charge Dep.

In The Books of

Lessor

Non- Dealer

1. Recognise Lease Receivable at Net Invest. in Lease (NIL)
2. Recognise Finance Income (FI) as per Implicit Interest rate
3. Initial Direct Cost
 - trf. to SPL OR
 - Against FI over LT

Mfr./ Dealer

1. Divide Total Profit into -

Selling Profit
(NIL - BV of Asset)

*** FI**

- Recognise Finance Income (FI) as per Implicit Interest rate
- Initial Direct cost - Expense in SPL

3 Sale and Lease Back (Seller = Lessee)

Finance Lease Back

Defer & Amortise (D&A)
Total P/L over Lease Term in Proportion of Depreciation

Bank a/c Dr. (Sale Value)
To Asset a/c
To Profit on Sale

Operating Lease Back

Golden Rules

1. Loss:- (CA - SP)
Always transfer to P&L
(if Loss is Compensated with future Lease Payment then D&A)

2. Profit (SP - CA)

3. If FV < CA
then Recog. Loss Immediately in P&L

Upto Fair Value

Recog. Immediately (FV - CA)

above FV

D&A (SP - FV)

4 Disclosure Requirement

Lessee

FL

- 1) CA. of Each asset
- 2) Recog. of MLPs & PV of MLPs
- 3) Future MLPs

OL

- 1) Future LP
- 2) LP recognized in P&L

Lessor

FL

- 1) Recog. of GI & PV of MLP
- 2) Unearned FI
- 3) UGRV

OL

- 1) Total Dep.
- 2) Imp. Loss

- * ➤ MLP - Min. Lease Payment, ➤ LR - Lease Rentals, ➤ FI - Finance Income
 ➤ GRV / UGRV - Guaranteed / Unguaranteed Residual Value, ➤ GI - Gross Investment
 ➤ LT - Lease Term ➤ IMP - Impairment ➤ IDC - Initial Direct Cost

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AS 20 - EARNINGS PER SHARE

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1 Presentation

Present

- Both EPS & DEPS on the face of SPL
- with equal prominence to both
- Negative EPS & DEPS both
- Consolidated EPS & DEPS in CFS

2 Measurement & Restatement

Basic EPS

Numerator

→ Net Profit Available for Eq.Sh.

NP/loss
(-) Tax exp.
(-) Pref divd.
(-) CDT

Denominator

→ Weighted Avg. Eq.Sh.

$\left(\text{Opening O/s Shares} + \text{New issue} - \text{Bought Back} \right) \times \text{Time weight}$

From When...?

Public Issue

Cash Receivable

Conversion of Debenture or Pref. Sh.

Conversion Date

Issue in lieu of Int. or Principle on other Loans

When Interest Ceases to Accrue

Issued in Exchange of Liability Settlement

Settlement becomes Effective

Issue in case of Amalgamation

Merger from Beg. of Reporting Period

Purchase from Acquisition Date

Diluted EPS

Why to calculate this?
When Co. has o/s Potential Eq.Sh. for Ex. Deb" Convertible

Dilutive

EPS Decreases

Numerator

Diluted NPAESH

$\left(\text{NP/Loss available for ESH} + \text{Post Tax Saving in Interest on Debentures} + \text{Saving in Pref. Div} + \text{CDT/DDT} \right)$

Anti-dilutive

EPS Increases

Denominator

WAES for Basic EPS
+ New Issue on Conversion of Deb. / Pref. Sh.
+ Issue of Stock Option for free of cost

X Time Weight

3 Right Issue see below

Steps

STEP - 1:- Theoretical Ex - Right Price

(Cum - Right Price)

$$= \frac{\left[\text{Fair Value Before Right} \times \text{No. of Shares Before Right} \right] + \text{Right Shares} \times \text{Exercise Price}}{\text{No. of Shares after Right}}$$

STEP - 2:- Right Factor OR Adjustment element

$$= \frac{\text{Fair Value Prior to Right (Cum - Right Price)}}{\text{Theoretical Ex - Right Price}}$$

STEP - 3:- Basic EPS

Net P/L for ESH

$$\frac{\left[(\text{O/s Eq. Share Before Right} \times \text{Right Factor}) \times \text{Time Weight} \right] + \left[\text{Total no. of shares after Right Issue} \times \text{Time Weight} \right]}{\text{Total no. of shares after Right Issue} \times \text{Time Weight}}$$

4 Special Cases

- A) Reduce Cum. Prf. Divd. - if proposed or not
Reduce Non Cum. PD - Only if proposed
- B) Different Face Value OR Partly paid Sh.
- Use Amount of Equity Capital instead of Nos.
- C) Bonus / Split / Reverse split -
Date is always irrelevant (time weight always 12/12)

5 Re-Statement

- When no. of Shares Increase / Decrease on Conversion
- Take new no. of Shares if change happens between B/S date and Approval of Accounts. for Ex:- Share Split or Share consolidation

6 Example of Potential Eq. Sh.

- Convertible Debn
- Convertible Pref. Sh.
- ESOP
- Share Warrants

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AS 22 - ACCOUNTING TAXES ON INCOMES


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1 Imp. Definitions

A/c Income
PBT as per P&L a/c

Taxable Income
Tax Calculated as per
Tax Law (IT Act, 1961)

Current Tax
Tax on Taxable
Income

Deferred Tax
Tax on Timing
Difference

Tax Exp.
CT + DTL - DTA

2 Difference between A/c Income & Taxable Income

Permanent Diff.
Arises in one period
but no reversal in future

Examples :

- Donations interest,
- Penalty, I.Tax Contri. to national lab.
- Personal expenses

No DTA/DTL

Timing Diff.
Arises in one period &
to be reversed in future

Examples :

- Bonus not yet paid (sec. 43 B)
- Interest to nationalised bank
- PF Contri
- Govt. taxes
- Prov. for BD / Legal damages depreciation

A/c income
PBT as per
books of A/c

3 Types of Taxes (as per AS 22)

Current Tax

and

Deferred Tax

CT Asset

CT Liab.

TDS
Adv. Tax

Income Tax
payable for Current
& Previous years

P&L a/c Dr.
To CT/ Prov. for Tax

DTA

Tax Saving in Future

DTA --- Dr To P&L A/c

DTA subject to below

Para 15 items
other than B/F Losses
& Unabsorbed Dep"

Check Reasonable
Certainty

Yes No

Create DTA Do not

Para 17 Entity
has B/F Losses
& Unabsorbed Dep"

Check Virtual Certainty
with Convincing Evidence

Yes No

Create DTA Do not

DTL

Tax Liab. of Future

P&L A/c --- Dr
To DTL

5 Other Areas

Offsetting of
CTA & CTL / DTA & DTL

Possible If

- Entity has Legal Right to set off
- Intention to Settle as Net Basis

Otherwise
Not Possible

Presentation of CT & DT

BS

CTA/CTL

Current
(Short Term
Provision CTL
Other Current
Assets - CTA

DTA/DTL

Non
Current

P&L

After PBT

Show Tax
Expersp on
CT
+ DTL Recog
- DTA Recog
+ DTA Reversal
- DTL Reversal

Remember

1. DTA/DTL - No discounting at Present Value
2. Measurement at applicable Tax Rate
3. Reviewed / Recalculated at each B/S date

4 Special Cases

Tax holiday Period (THP)
(Sec 80 IA)

Timing
Diff arise in
THP &
Revered in THP

Ignore - No
DTA/DTL

TD arise in THP
& to be Revered
after THP

Created &
DTA/DTA
in the year
of Occurrence

Minimum Alternative Tax (MAT)

No Impact on
DT Calculation

for DT
Calculation
ignore -

- Book Profit of MAT
- Mat Rate

Treatment of MAT

If MAT is more
than Regular Tax

CT = MAT

Excess of MAT
over Reg. Tax is Asset

"MAT Credit
Receivable A/c"

Recognise if Recoverable
MAT Credit A/c Dr.
To P&L

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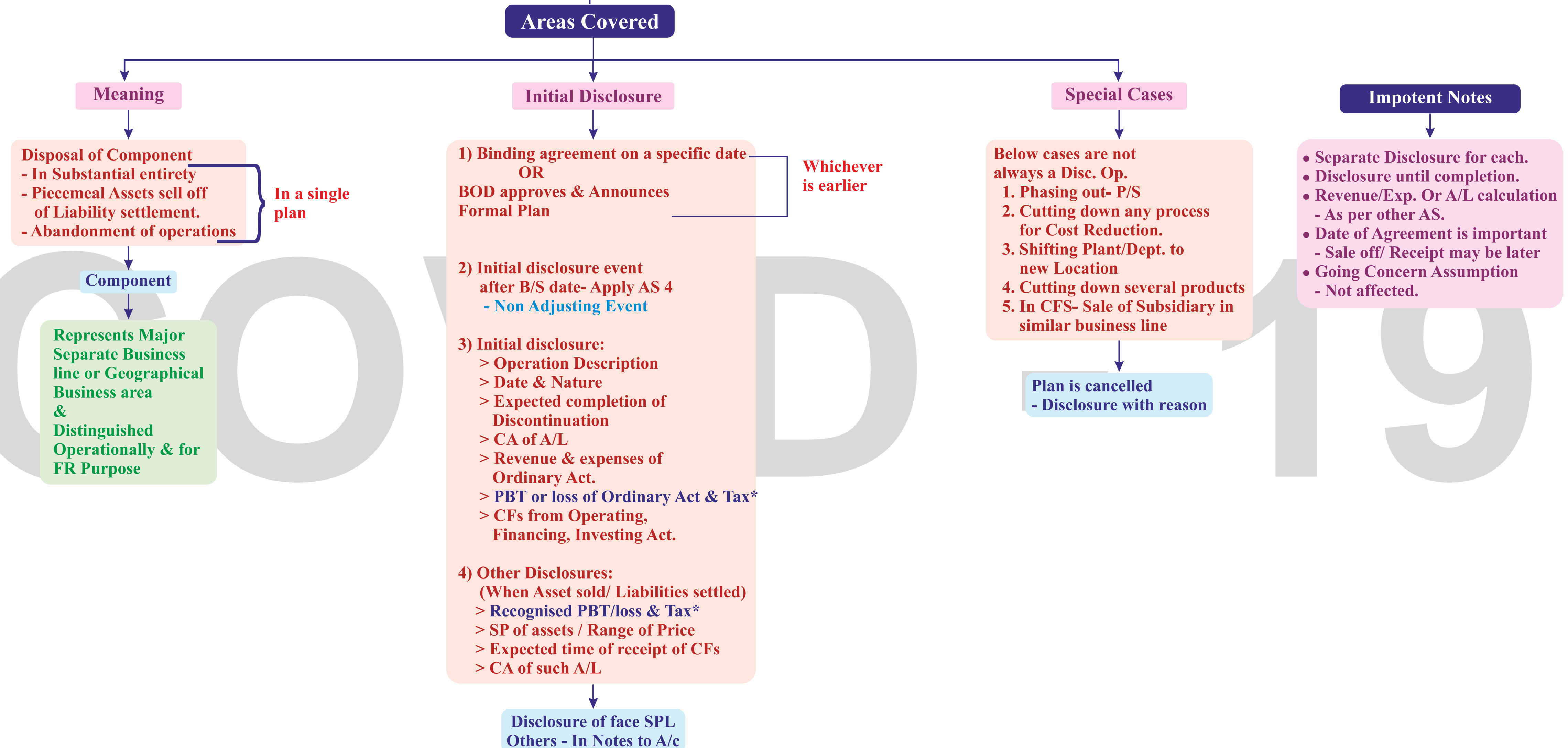
AS 24 - DISCONTINUING OPERATIONS

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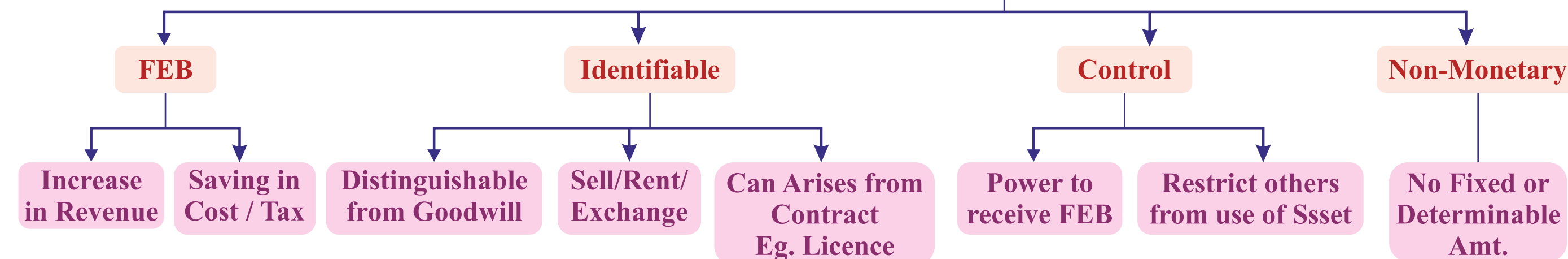


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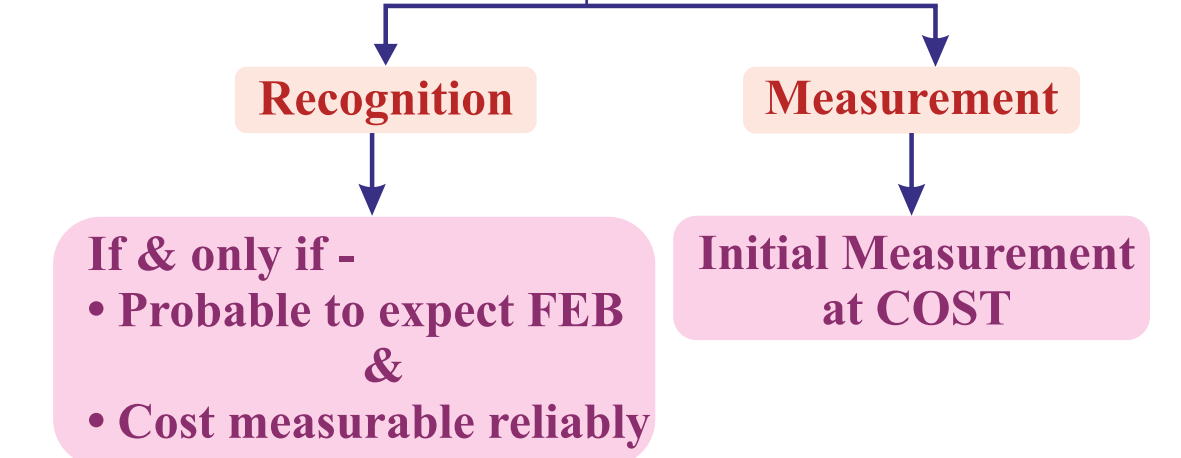
1 7 Conditions of I.A.

1. Identifiable
2. No Physical Substance
3. Non Monetary
4. Enterprise Control
5. Expected Future Eco. benefits. (FEB)
6. Held for Use
7. Cost Measured Reliably

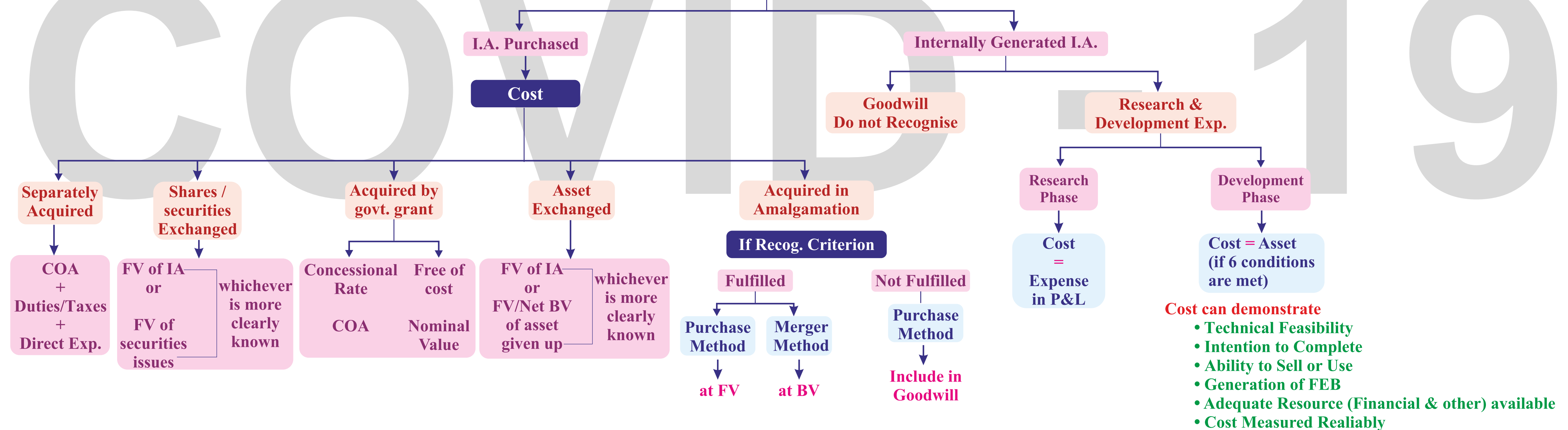
2 Some Important Terms



3 Recognition & Measurement of I.A. (V.Imp)



4 How to Measure the Cost?



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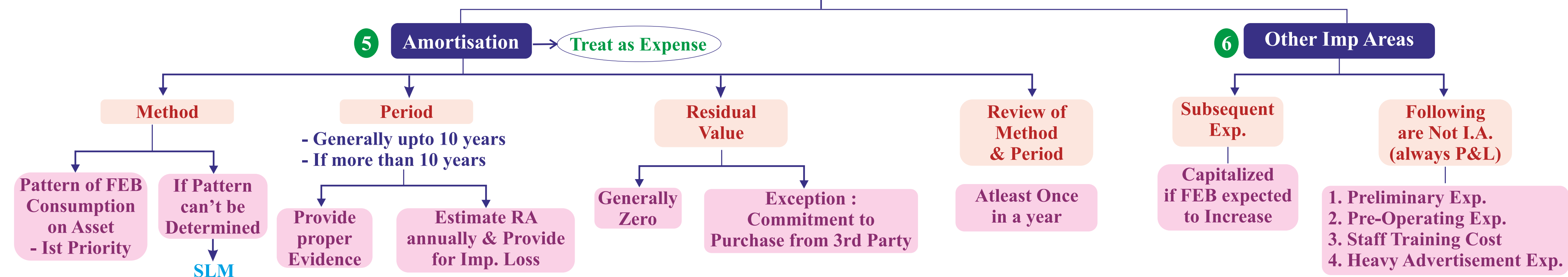
AS 26 - INTANGIBLE ASSETS (I.A.)

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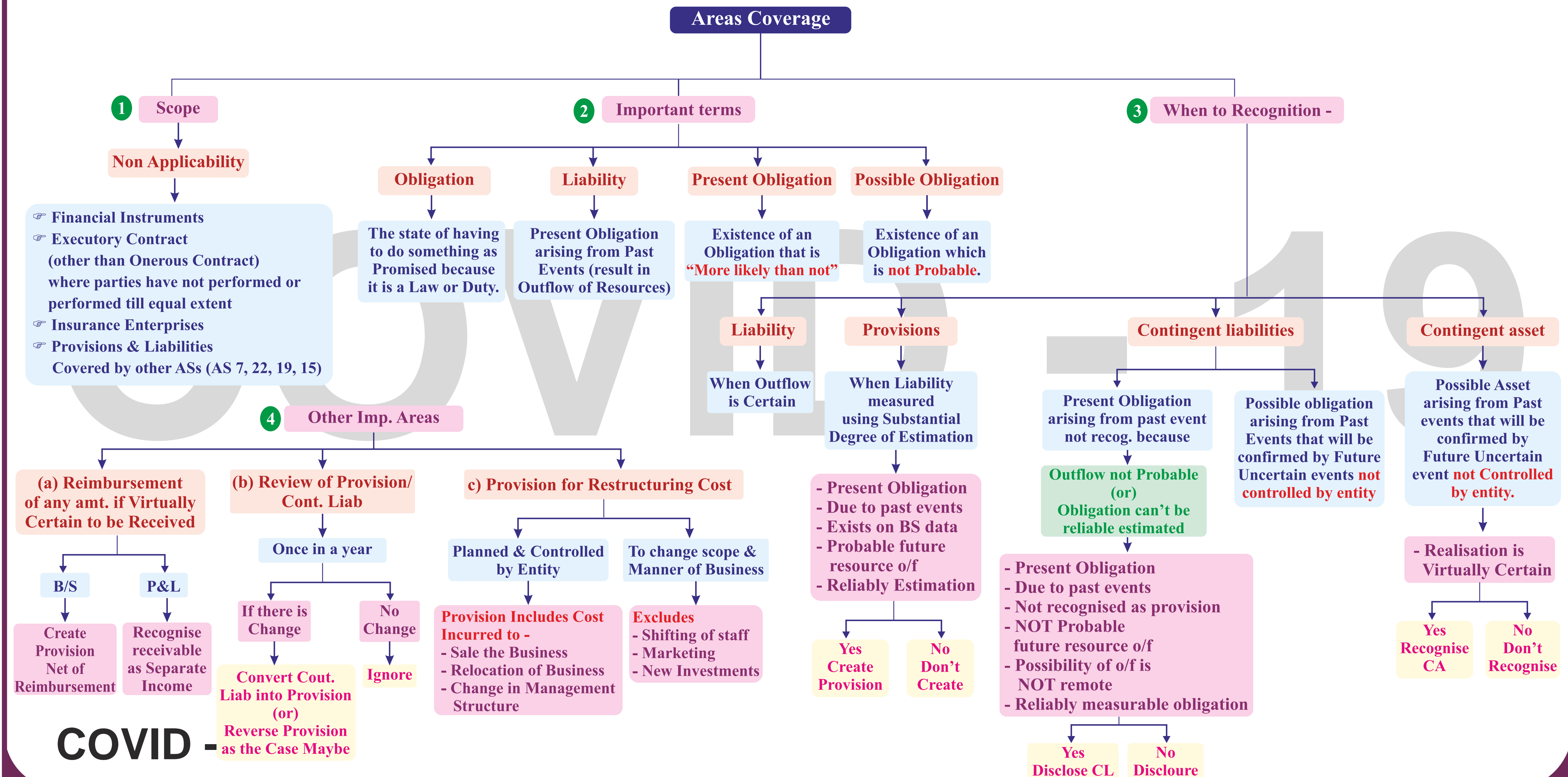
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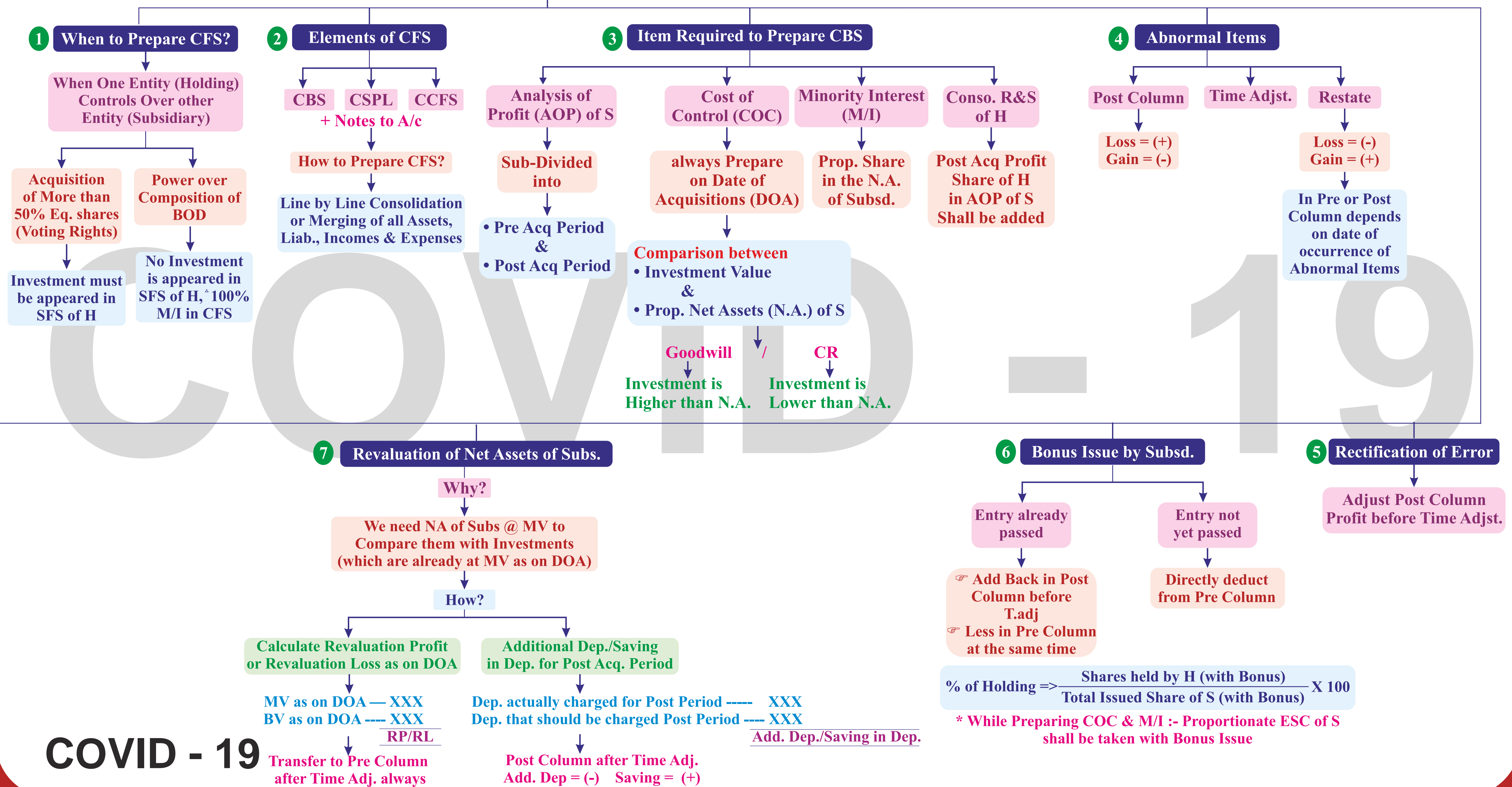
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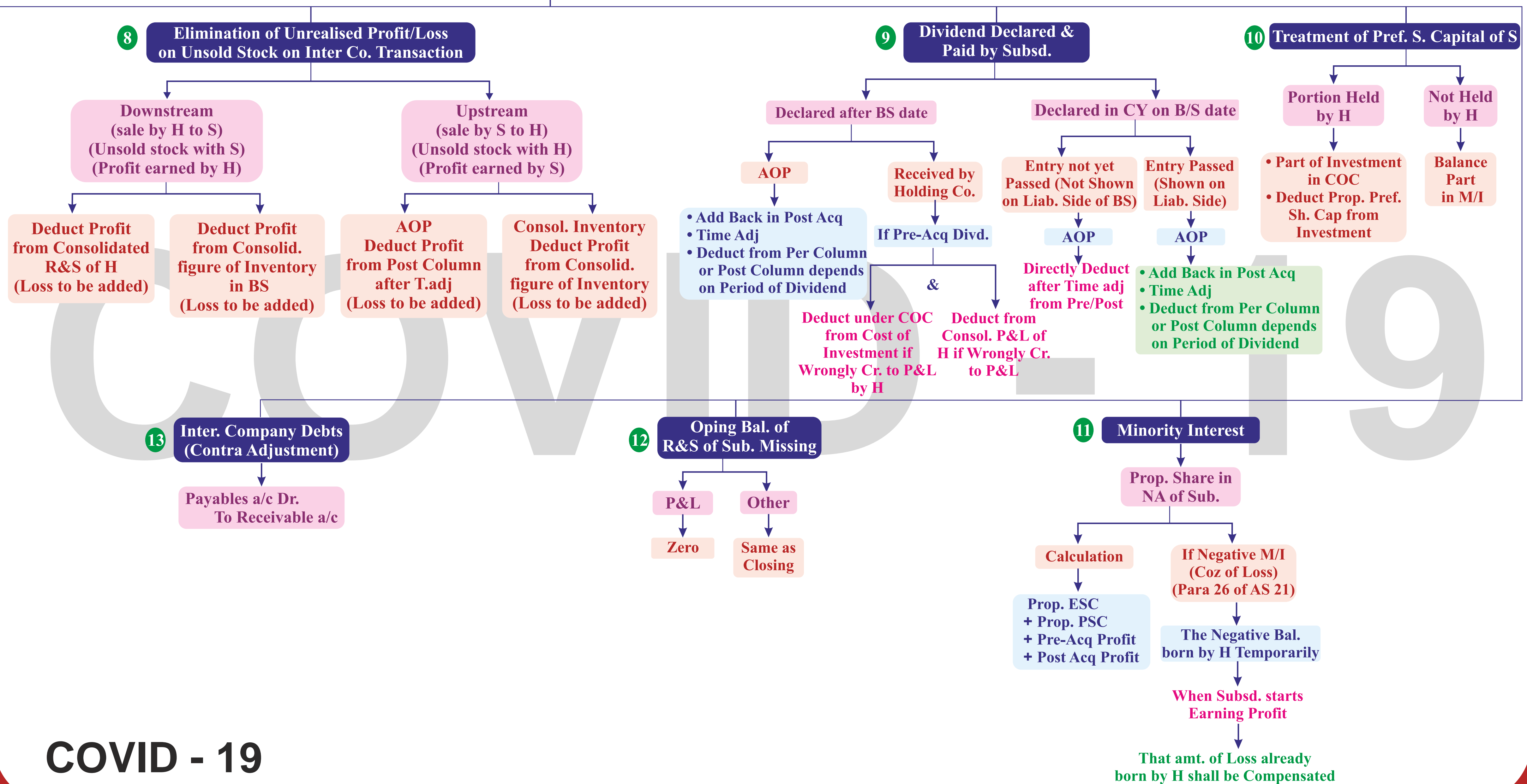


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AS 29 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS











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Particulars	Pre-Acq DOA	Post Acq	Total B/S Date
Balances of R&S	XXX	XXX (Bal. Fig.)	XXX
+/- Abnormal items elimination	---	(XX)	
+/- Bonus issue	(XX)	+XX (already entry Passed)	
+ Dividend Paid/ Declared	---	XX	
+/- Rectification of errors Bal. of R&S	-----	<u>XX</u>	
+/- Time Adjustment	<u>XX</u>	(XX)	
Balance	XX	XX	
+/- Abnormal items	XX	XX	
(-) Dividend	XX	XX	
+/- Revaluation of Assets	XX	XX (Additional Dep. saving in Dep)	
Balance	XX	XX	
+/- Elimination of unrealised P/L on Unsold stock (Upstream Transaction)	---	XX	
Final Balance	<div>XXX <div>Holding's ShareM/I's Shares</div></div>	<div><u>XXX</u> <div>Holding's ShareM/I's Shares</div></div>	

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ESOP



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